Entrepreneurship in Zimbabwe- the window of opportunity!

Good morning Honourable Minister, Chairperson of ICAZ, ladies and gentlemen.

What a privilege for me to be standing in front of you and asked to share some thoughts on the subject of Entrepreneurship in Zimbabwe. You see I must confess that I always harboured ambitions to be one of you, sitting down there in a very smart suit with some very impressive initials after my name.

When I was growing up in Bulawayo my three options for what I wanted to be when I was older was either a Chartered Accountant, Entrepreneur or a Politician. If I had realized how much you had to work at success at the first two, who knows, things may have turned out differently and I might have been in parliament today sipping a pina colada and flying business class to London having had my targeted sancions recently lifted.

So how did my career path evolve, such that I am up here speaking on entrepreneurship rather than with you in a smart suit or sipping fancy drinks.

I grew up in Bulawayo, a city for which I have tremendous affection. My father owned bicycle shops and I was serving in them from when I was 7 years old, getting parts, working out change and interacting with the customers. I loved it!
You see, I have had business in my blood from an early age.

Briefly, so that you have an idea of where I come from, I moved through high school in Esigodini to read Economics with a side in Politics at the University of Cape Town.

I was hired out of University to work in Frankfurt, Germany in Brand Management for a Multi National called Procter and Gamble, a Fast Moving Consumer Goods company. After 3 years there I was asked to move and promoted to launch a brand called Pantene and Head and Shoulders in South Africa. My next move was when P&G decided to install a $10 million line to produce Pampers diapers in Lagos, Nigeria and asked me to go and Manage the business for West Africa (Nigeria and Ghana) and then expanding to Kenya, Tanzania and Uganda.

2 Years of that and 7 years of corporate and I was 29 and itching to do my own thing. I decided to revive my scarcely buried entrepreneurial instincts.

I moved from Lagos to Cape Town and started looking for businesses to buy. My passion is for taking a business that is underperforming, and turning it around to deliver success.

My first business was Caterware, which does Industrial Kitchen Equipment for Hotels and Restaurants. I had no idea what a Bain Marie was, but
knew that the business needed strategic direction, sales skills and the cash flow fixed. 8 years later turnover is up 20 times and the company has been guided through the worst recession in 50 years. The team at Caterware has completed projects through the Cape Town and Johannesburg offices that include world cup soccer stadia, 5* hotels and prisons, hospitals and universities across Southern Africa. In the Zimbabwe business we count Cresta Hospitality, Rainbow Tourism Group and Innscor amongst our clients.

We then bought Khayelitsha Cookies– a company that makes handmade gourmet cookies hiring only unemployed women from the Khayelitsha township outside Cape Town. The company had a great idea but no capital or direction. I love the fact the company is built around the idea to create opportunity, one bite at a time. We take women, sometimes in their 30s and 40s who have never worked before and train them to bake, pack and prepare cookies. The 70 women that we hire own 30% of the company and support nearly 400 people directly from their salaries.

Its been a tough 7 years for the company but we were voted the South African SMME of the Year in 2010, and now are profitable and make cookies for Southern Sun, Garden Court, Nestle, Pick N Pay and Purity Baby amongst others.

Then, in 2007, my wife and I, in response to our faith, decided to move back to Zimbabwe. We felt called to spend the rest of our lives helping to rebuild
Zimbabwe. We arrived back with our young family in the difficult times of 2008.

Now, when I am not travelling to help the South African businesses, we have started the Bulawayo Baby Company, which makes amazing baby products which will be available in Edgars from October.

We have more importantly started the Nehemiah Network which gives training to entrepreneurs, and interest free loans and support to help them develop their ideas.

The Nehemiah Network also takes Not-for-profits and trains them in governance and financial management, enabling them to deliver their mandate much more effectively.

When the committee gave me the topic, the first question I asked myself was – do I agree with what is being suggested? Do I agree that Entrepreneurship presents a unique window of opportunity to deliver success and progress for Zimbabwe?

What do we as Zimbabweans really need.

And, the answer that I came to, economically, was that we need jobs. Of a labour force of close to 4 million people, we have an unemployment rate of in excess of 90% in the formal sector.

Creating new jobs is the number one need and therefore the number one benchmark for success.
Jobs create the ability for people to feed, house, clothe and educate their families. Jobs provide people with disposable income to inject into the economy. Jobs ultimately help broaden the tax base.

But most of all, jobs provide the means for the ordinary Zimbabwean to move forward and provide opportunity for their families.

Jobs are the key, the window of opportunity for Zimbabwe.

And I believe that entrepreneurs and businesses started by entrepreneurs are the best means to deliver jobs to our economy. So, is entrepreneurship the window of opportunity for Zimbabwe. The answer is a resounding YES.

Some may say, justifiably, what about FDI, Aid or government spending as the window of opportunity. Briefly:

Firstly, Foreign Direct Investment, or FDI which is Foreign Companies coming and investing in projects within Zimbabwe. This has a huge role to play in national benefits like creating tax revenue for central government. But if you look carefully at the effect on employment – the trickle down effect to deliver on our measures for success, you will find a somewhat different story.
As and illustration, look at the direct investment by South African Companies in Zimbabwe in the last 10 years. You will see that 11.1 Billion Rand has been invested in the top 12 projects. Creating 2,055 jobs. That’s 5.5 million Rand per job. Give me 5.5 million Rand and ask me to employ one person, and I will take it every day of the week. I may even employ 2. My point is that FDI is necessary, but it is not the most efficient tool to move Zimbabweans into employment and success.

The second is Government Spending. This is a discussion in itself, but the key here is that our government, for reasons I am sure that you can appreciate and that are closely tied to our political story, does not have that much money to spend. So while this could be an effective way to generate some employment, in a sense the money has to be generated first which leaves us in a bit of a chicken and egg situation.

Lastly, Aid. I will not say much about this except to say that development aid does not have the capacity to create sustainable employment. Dambisa Moyo, in her book ‘Dead Aid’ outlines the fact that over the last 50 years more than 1 Trillion dollars has been transferred from rich countries to Africa in development aid and yet the recipients remain almost universally poorer off. She argues that what Africa needs is job creation, and programs that are focused on delivering that. Aid is necessary in some instances, but is not able to deliver on our success criteria – the generating of employment, and independence.
So let me get back to that resounding YES, the belief that Entrepreneurship can deliver on economic growth and the creation of jobs.

Some definitions first:
An entrepreneur. Simply, in the Oxford dictionary a person who organizes and manages any enterprise, especially a business, usually with considerable initiative and risk or, an alternative definition is an employer of productive labor.

So who are our entrepreneurs? When we think of Entrepreneurs we think of Richard Branson, starting the Virgin Group from a mail order magazine in the crypt of a church. He will be, next year I believe, the first person to offer commercial flights into space. I think that it is the same idea that Air Zimbabwe had a few years back but the difference is that Branson is offering a return ticket.

We might think of Carlos Slim who is the richest man in the world was worth $40 million by the age of 26.

Or the richest man in Africa, Allen Dangote, who used a loan from his uncle to build a cement business and is now worth 10.2 billion dollars.

Most likely our very own Strive Masiyiwa, the richest man in Zimbabwe (at least officially) who moved from an engineer at PTC to starting Econet against all the odds which now has a market capitalisation of 700 million dollars.
But those people are the exception rather than the rule. They are aspirational in many senses, but not the model that we can use to mould our policy and thinking about entrepreneurship.

Instead let me introduce you to Tabita who has started with 200 chickens in the spare room of her house in Bulawayo, Sitho who makes school clothing and accessories and Thamu who makes furniture. Between them they provides sustainable employment to 12 people, and the total investment across their businesses is $3,500.

Working back to the numbers earlier, if we took that R5.5 million of foreign direct investment and invested in businesses like these, instead of creating 1 job we would be looking at 2,350 jobs.

This is where I want to put the focus of what I talk about for the next 15 minutes.

So, what are the opportunities of entrepreneurship:

- **Firstly**, entrepreneurial activity will create the jobs needed to move the people of our country forward.
  - The Global Entrepreneurship monitor, initiated by London Business School runs over 100 teams globally to measure the depth and effect of entrepreneurship. They assert ‘entrepreneurs drive new business
ideas, mobilise resources and ultimately create jobs.’

- Enablis, a high impact entrepreneur organization records that its 1,094 members across Africa have created 8,555 jobs in 5 years, or 9 jobs per entrepreneur.
  - It is increasingly accepted that entrepreneurs are a key source for job growth.

- Secondly, we have a nation of entrepreneurs surrounding us, who have a strong desire to succeed.
  - You simply have to look outside to see the entrepreneurial nature of our people on the streets.

- Thirdly, The jobs created through entrepreneurs are affordable, and have a direct impact on our economy
  - We saw in our example earlier of Tabita, Sitho and Thamu that entrepreneurial jobs are significantly less expensive to create.
  - A Business Day Article compared the cost of jobs created in a new industrial zone in South Africa (R3million to R10,5million) to a study by a professor of entrepreneurial studies at Case Western University in a US study who calculated that, taking into account business failure and several other factors, the average cost per job created in entrepreneurial activity was a fraction of that at R200,000. In Zimbabwe, I would argue that this number is much lower.
So if we can create jobs through entrepreneurial activity more effectively than most other means – why is this not happening?

Looking at the policy and economic playing field for entrepreneurs in Zimbabwe today, this is the window of opportunity that an entrepreneur has to access. (pic of small second story window) There are several challenges to entrepreneurs and their development, but I will deal with 3 key ones:

1. We have limited financial support for entrepreneurs
   - Funding available is very expensive. From banks, if available, interest rates are from 10% plus for USD loans. Add to that the need for collateral and you take it out of reach of our entrepreneur.
   - If funding is sought elsewhere, through non-traditional moneylenders, the interest rates are punitive and often suck the entrepreneur into a cycle of debt.

2. Our policies do not encourage entrepreneurship. On the World Bank ‘Ease of Doing Business’ Ranking Zimbabwe rates 171st out of 184 countries in terms of ease of doing business. This includes Ease of Starting a business, getting permits, security of investors. We are below Dijoubouti, Afghanistan and Iraq!!
   - First you have to pay 300 dollars to register a business. Then you are at a significant
input cost disadvantage until you exceed the huge VAT threshold of $60,000 per annum. Then you have to submit VAT returns every 2 months, and tax returns every quarter as well as get your tax clearance certificate every 6 months. This is onerous for a small business.

- Policies at the center of our discourse like Indiginization are not the ideal model to create entrepreneurs as it is not targeted to develop new business and encourage entrepreneurial thought and drive.

3. **Our entrepreneurs have the will, but not necessarily the skills**

- The practical skills of managing a small business need to be developed, especially the financial aspects. Like the basic difference between profit and cashflow.
- We are still faced with the mindset, created from the days of burning money and quick deals is a ‘get rich quick’ mentality. This needs to change.

What are the solutions:

The first 2 points for are largely Government driven, and mostly need solutions at that level.

1. We need to open up access to cheaper finance

   - The Global Entrepreneurship Monitor had the following recommendations for similar issues in
other economies 2011, which are clearly applicable for Zimbabwe:

- Prioritise spending on young entrepreneurs.
- Structure funding and low interest finance to be applicable to different levels of business development
- Channel funding through efficient enterprises

2. Put in place Government policies that work.
   a. What is needed is an external trigger to entrepreneurship. South Africa’s Broad Based Black Economic Empowerment model, though flawed in some places, works to reward those who support entrepreneurs, and especially black entrepreneurs. It is based on the following premise: You get a score out of 25 for each category. These categories include Black Ownership, Black Management Control, Purchase from Black Business, Investment in training of young people, investment in emerging enterprises (small entrepreneurs) and socio economic development (how much you give to charities or causes). You choose your best 4 scores from these categories and that determines your rating out of 100.

   i. That rating then helps you to score better in government tenders, and provides an incentive for bigger
companies to buy from you. An example is Khayelitsha Cookies:

ii. Khayelitsha Cookies is AAA+ rated, level 1. The company has benefitted through interest free loans, significant capital inputs and interest from companies who are passionate about the story, as well as the business benefits from dealing with us.

b. Reduce the administrative burden on businesses. We need to lower the VAT threshold to make small business more competitive, and simplify the reporting down to one or two inputs every six months.

c. Change the structure of key courses at secondary and tertiary level to include key practical principles of running a business. Have mock business competitions. Get kids to run a small business and train them using the practical rather than the theoretical.

This is all very good and well at Government level, you say, but what can I do??

Some of you will have various levels of influence with policy and finance at various levels. You can use this influence to direct policy to provide a fertile ground for entrepreneurs.
But truthfully I am more interested in what we can do to act within our immediate, everyday sphere of influence, to change our country. **And this is really where you come in.**

I believe that YOU can create jobs, build businesses, and change our nation. **You can open the window of opportunity for entrepreneurs.** And you can do this by simply using your time and skills. I am asking you to explore the idea of being a MENTOR to an entrepreneur.

I believe that the absolute key in building success in entrepreneurial activity is mentoring. You can give an entrepreneur money, an idea or even a ready market but you immeasurably increase his chance at success if he has a mentor to guide him to success.

Mentoring is an investment of time, energy and wisdom by a skilled individual into a person with potential and passion who wants to start or has started a business.

As Chartered Accountants, you are ideally placed to give an entrepreneur structure for their business, wisdom from what you have experienced and insight into making their business successful.

As a mentor, you simply identify one, or two people around you that are starting or have started a business, and make a commitment to assist them. Simply by sharing your knowledge and expertise.
I was speaking to a chap named Alan last week, and he told me his story:
He met the son of an employee, Thamu, who was in his last year of school. When he asked Thamu what he wanted to do, Thamu told him that he wanted to make furniture. He did not have skills and tools, but it is what he wanted to do. So Alan wisely told him to go and get some tools and make something. A year later he saw Thamu again and found out that he had found a hammer, a chisel, and some basic tools and was making and selling stools and similar items. Thamu told him that he needed power tools to launch himself. Alan ask how he thought that he was going to get those and Thamu told him that he had started a vegetable garden to sell vegetables to raise money to buy the tools. His issue was that he needed a bicycle to deliver the veggies. Alan then decided that this young man had shown what he was made of and invested in a bicycle. Power tools followed, and then an entrepreneurs course. Thamu then started working for a furniture manufacturer and worked for 5 years. 2 years ago, with the advice and support of his mentor, he left there and started his own business. He now employs 6 people, and his business, now in its own premises, is flourishing.

This is our opportunity.

I have had a mentor myself, a brilliant Pastor named John Thomas. He changed my views on business, social involvement and nurtured my young marriage. I have the privilege of mentoring a young trainee CA
from KPMG, and sharing with him has been a phenomenal experience.

At Nehemiah Network which I mentioned earlier, we have several entrepreneurs that we have trained, identified and have matched with mentors. They are lent $1,000 interest free and meet with their mentors every 2 weeks or so and go through their basic income statements, their cash flow, and the next steps for their business. Tabita, who now runs 200 chickens in Bulawayo told me last week ‘Having a mentor is amazing. I am learning so much. It has changed the way I run my business and I am very happy’ For her, success and the ability to support her family. For the country and economy it is the effect of her employing people and the knock on effect.

In summary, entrepreneurship is the window of opportunity for Zimbabwe. At the moment it’s a window that is tough to reach, but not impossible. We talked about the role of Government in making finance and policy conducive to opening up this window.

However, my parting request is to encourage each one of you, of your own initiative or with the help of an organization like Nehemiah Network, to join in mentoring entrepreneurs and making a huge contribution to the future of Zimbabwe. Thank you.